

DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General

Effectiveness of the Federal Trucking Industry Security Grant Program





**Homeland
Security**

September 26, 2008

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report addresses the performance, efficiency, and effectiveness of the Federal Trucking Industry Security Grant Program, and the need for the program. It makes recommendations regarding the future of the program, including options to improve its effectiveness and utility and that of motor carrier security. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink that reads "Richard L. Skinner".

Richard L. Skinner
Inspector General

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Abbreviations

ATA	American Trucking Associations
DHS	Department of Homeland Security
DOT	Department of Transportation
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
G&T	Office of Grants and Training
Highway ISAC	Highway Information Sharing and Analysis Center
ODP	Office of Domestic Preparedness
OIG	Office of Inspector General
SLGCP	State and Local Government Coordination and Preparedness
TSA	Transportation Security Administration
TSNM	Transportation Sector Network Management
TSOC	Transportation Security Operations Center

Executive Summary

The Department of Homeland Security administers the Federal Trucking Industry Security Grant Program. The intent of the program is to enhance homeland security through increased vigilance and awareness on highways. As mandated by Congress, since FY 2004, the Highway Watch[®] program trains segments of the Nation's surface transportation community in how to detect and report security threats on highways, how to avoid becoming a target for terrorist activity, and how to recognize potential highway safety hazards. The program emerged from an earlier effort by the Department of Transportation which focused on highway safety issues.

This is the second part of a review required by the *Implementing Recommendations of the 9/11 Commission Act of 2007* (Public Law 110-53). This report addresses the performance, efficiency and effectiveness of the program and evaluates the need for the program.

Although the American Trucking Associations reached enrollment targets of more than 800,000 members, security incident reporting has remained steady at less than 200 calls a month. Furthermore, the American Trucking Associations incurred costs to acquire the assistance of state trucking associations that were not well documented. Therefore, we cannot say definitively whether the benefits achieved so far have been worth the costs. DHS' inconsistent oversight has also hindered the program.

However, we support the department's plans to continue this program. Industry experts and representatives maintain that the program is needed. We are making six recommendations to help DHS be more accountable; develop a sound trucking security strategy; spend funds wisely and in a transparent manner; improve internal coordination, communication, and administration of the grant; and demonstrate effectiveness to become a more viable program. TSA and FEMA have concurred with these recommendations.

Background

This is the second part of a review required by the *Implementing Recommendations of the 9/11 Commission Act of 2007* (Public Law 110-53). Pursuant to the Act, we analyzed the performance, efficiency, and effectiveness of the Federal Trucking Industry Security Grant Program, and evaluated the need for the program. We also made recommendations regarding the program's future, options to improve its effectiveness and utility, and motor carrier security.¹ The first report, entitled *Administration of the Federal Trucking Industry Security Grant Program for FY 2004 and FY 2005*, was published in October 2007.² That report addressed the grant process and summarized expenditures.

The Nation's highway infrastructure includes nearly 4 million miles of public roads, 600,000 bridges, and more than 1,050 highway-related and transit tunnels. In 1998, the American Trucking Associations (ATA) established the Highway Watch[®] program to take advantage of the experience and commitment of transportation workers to safeguard America's roadways and communities. With funding from the Department of Transportation (DOT), Highway Watch[®] recruited and trained transportation workers to recognize and report hazardous conditions, vehicle crashes, criminal activity, and other incidents. DOT provided the funds to ATA through a cooperative agreement to allow for substantial involvement by both the government and the recipient.³

The Highway Watch[®] Cooperative Agreement

In August 2003, the Transportation Security Administration (TSA) entered into its first agreement with ATA to incorporate security issues and expand the program. In this report, we refer to the recipient of the cooperative agreements as ATA, and refer to the program as Highway Watch[®]. Because the term Highway Watch[®] was trademarked by ATA and congressional grant authorization language referred specifically to the Highway Watch[®] program between 2004 and 2007, TSA awarded ATA \$63 million for the program. The *Consolidated Appropriations Act, 2008* appropriated an additional \$16 million for the Trucking Industry Security Grant Program in FY 2008.⁴ The appropriation language

¹ P. L. 110-53, § 1542 (b) (1–2).

² *Administration of the Federal Trucking Industry Security Grant Program for FY 2004 and FY 2005*, (OIG-08-08)

³ 31 U.S.C. § 6305.

⁴ P.L. 110-161, Title III, State And Local Programs, 121 STAT. 2062.

did not refer to the trademarked term Highway Watch[®], and stated that the funding was to be “competitively awarded.”⁵ Therefore, DHS opened the FY 2008 grant program for competitive bid. Applicants submitted bids for the FY 2008 grant cycle in March 2008. DHS did not award the 2008 grant to ATA. The new grantee will have a yearly budget of about \$5 million.

Each year, the cooperative agreement between DHS and ATA has covered essentially the same four priorities: 1) participant identification and recruitment; 2) training; 3) communications; and 4) information analysis and distribution. Within these priorities the cooperative agreement was modified slightly in three areas: 1) in 2004, after the grant was awarded, the scope of training was expanded to include a subcontract with Mississippi State University to conduct emergency planning exercises; 2) DHS dropped requirements that ATA develop individualized training programs for the highway and motor carrier sector professionals, and instead enabled other industry sectors to develop training; and 3) after the 2007 grant was awarded, the scope of information analysis and distribution was expanded to include another subcontract with Mississippi State University to research the trucking industry.

The Highway Watch[®] Program

The four priorities outlined in the cooperative agreements are discussed below. In FY 2008, DHS introduced a fifth priority. It is a government-wide requirement to develop plans based on identified high-risk scenarios and the conduct of a risk assessment or hazard analysis. A discussion of each priority follows.

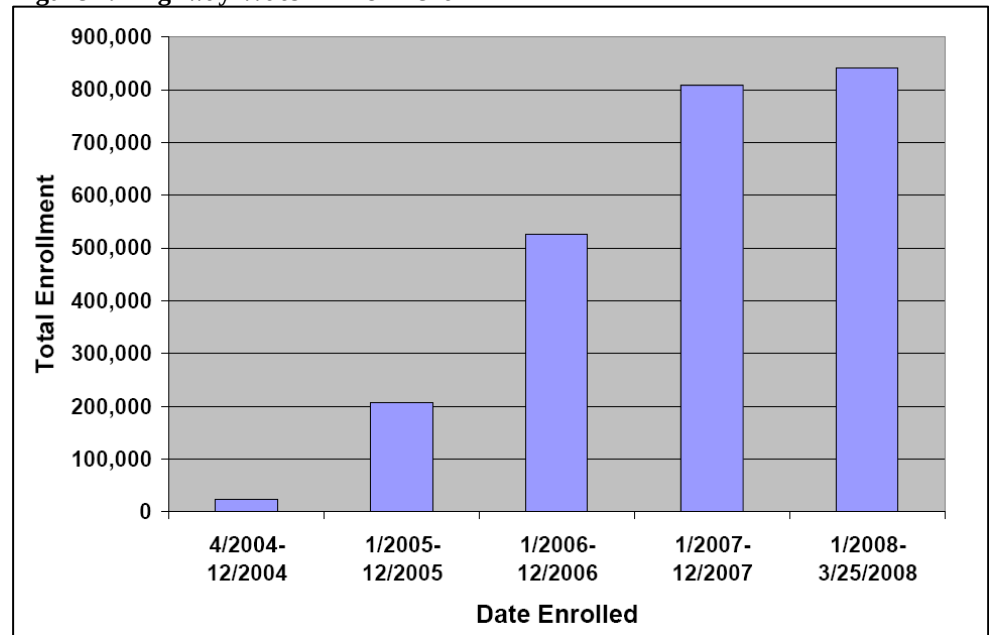
Participant Identification and Recruitment (Outreach)

The Highway Watch[®] outreach program aims to identify and recruit surface transportation professionals as volunteers nationwide to improve highway and motor carrier safety and security. There are approximately 5 million active highway professionals. There are an estimated 12 million commercial driver’s license holders, 3 million of whom are active drivers. In addition, there are several million industry professionals, including school bus and motor coach drivers, law enforcement personnel, first responders, state and local highway workers, and toll booth operators.

⁵ P.L. 110-161, Title III, State and Local Programs, Explanatory Statement, page 1081.

ATA relied on those entities it represents, namely state trucking associations, for outreach at the state level; while it managed advertising, industry outreach, and trade show participation at the national level. In 2006, ATA also began working with school bus associations to recruit their members. The initial cooperative agreement between DHS and ATA set a target of 400,000 Highway Watch[®] participants. ATA did not meet the goal until mid-2006. Today, there are more than 800,000 Highway Watch[®] participants. Appendix D shows the professions and industry segments of Highway Watch[®] members, about half of whom are truck and passenger bus drivers. Once ATA reached the initial membership goal of 400,000, cooperative agreements specified new membership targets of about 100,000 additional members each year. Figure 1 shows Highway Watch[®] enrollment from 2004 to 2007.

Figure 1: Highway Watch Enrollment



Source: Highway Watch[®] Database

Between FY 2003 and FY 2007, DHS authorized \$25.7 million in outreach expenses (see Appendix E). Actual expenditures for outreach were \$14.9 million, with reimbursement to state trucking associations and later to school bus associations accounting for \$9.4 million. Remaining expenditures included the development of a Highway Watch[®] website, staffing, outreach and travel expenses. Within the terms of the cooperative agreements, ATA could spend more, or less, than authorized on program activities. In addition, ATA's record of actual expenditures shifts some items between the four program areas (see Appendix E).

Training

Initial cooperative agreements stated ATA would develop training for most industry sectors, including law enforcement officers, but DHS later rescinded these requirements. Highway Watch[®] offers a basic one-hour domain awareness training session to acquaint surface transportation professionals with how to identify and report safety hazards and suspicious security incidents. ATA later modified the the basic one-hour session to address the unique needs of the school bus sector, and developed an accelerated program for targeted audiences, such as mass transit officers.

ATA worked with a security consulting firm to develop its initial training. The training is offered through various methods. These include in-person training led by security experts, in-person training led by company safety and security officers who have attended a train-the-trainer session, and training in which a facilitator shows the Highway Watch[®] training video and answer questions. Training is also accomplished through the distribution of a DVD, video or audio cassette, as well as online.

DHS authorized \$12.1 million in training expenses between FY 2003 and FY 2007. Actual expenditures for training were \$13.9 million, with reimbursements to state trucking associations and school bus associations accounting for \$5 million. Actual expenditures exceeded authorized expenditures because ATA recharacterized expenditures to state trucking associations as divided between outreach and training. Expenditures for consulting services accounting for \$7.3 million, including a sole-source contract for \$1.7 million with Mississippi State University (MSU) for security exercises, mobilization planning, emergency preparedness education, and technology research (see Appendix E).

Communications

Communications are facilitated by a continuously operating communications call center capable of directing non-emergency participant incident reports of safety issues to local authorities and reports of potential security issues to headquarters Highway Watch[®] staff. DHS initially authorized ten full-time employees to handle an anticipated call volume of 1 call per 100 Highway Watch[®] members per year. When that volume of calls did not materialize, the call center operators took over administrative tasks related to enrollment, such as providing training materials and

credentials to participants, answering information requests, and entering data on new enrollees.

In mid-2006, Georgia enacted state legislation that required commercial drivers license holders to receive Highway Watch[®] training. Before the law was repealed 18 months later, more than 100,000 new members enrolled, causing a significant increase in call center activity. In mid-2007, ATA and Senture, which operates the call center, renegotiated their contract to maintain four dedicated full time staff, four part-time, and others trained for surge capacity.

Since 2004, the call center has received or initiated more than 100,000 calls. These calls relate to membership and technical assistance with the Highway Watch[®] website and online training, safety and security incident reports, and followups from incident reports. DHS authorized \$11.6 million in communications expenses between FY 2003 and FY 2007. Actual expenditures were \$14.1 million, with call center costs accounting for \$9.9 million, and website and database development accounting for \$2.8 million. Actual expenditures exceeded authorized expenditures because ATA recharacterized most website development expenditures as communication, rather than outreach, expenditures.

Information Sharing and Analysis

The program's last component is information sharing and analysis. The cooperative agreement required ATA to create a Highway Information Sharing and Analysis Center (ISAC) dedicated exclusively to highway and highway-transport-related security needs and issues. The Highway ISAC is unique among the sector-specific ISACs because it is co-located with TSA's Transportation Security Operations Center (TSOC). The TSOC has a communication and coordination function for all transportation sectors, serving as the point of contact for government and industry security concerns related to rail, trucking, mass transit, maritime, pipeline, highway, and aviation.

Grant funding covers the salaries of the ISAC's director and two ISAC officers, while ATA funds additional staff. At present, the director and three analysts work at the ISAC and all possess intelligence backgrounds. The ISAC's primary responsibility is to investigate security incident reports that are forwarded by the call center. If reports are sufficiently credible and actionable, the ISAC forwards them to the TSOC, and to state intelligence and law

enforcement information analysis and coordination centers known as state fusion centers. The ISAC also distributes alerts and lookouts concerning highway and motor carrier security to relevant industry and law enforcement sources. In addition, the ISAC's activities include information analysis, responding to information requests from state and local law enforcement officers, and coordination with other sector-specific ISACs.

DHS authorized \$2.9 million in ISAC expenses between FY 2003 and FY 2007. Actual expenditures were \$1.9 million, with staffing accounting for almost \$1 million, and subscriptions, information management software, and consultants accounting for about \$0.5 million.

Planning

For the 2008 grant cycle, DHS added a fifth requirement to the Trucking Industry Security Grant Program that the grant recipient develop plans based on identified high-risk scenarios, such as the hijacking of a truck or management of incidents involving hazardous materials. The grant recipient was also required to conduct a risk assessment or hazard analysis for the trucking and motor carrier industry. These planning requirements were introduced to all DHS security grants to state, local, and industry applicants.

Results of Review

The Implementing Recommendations of the 9/11 Commission Act of 2007 requires the OIG to examine the performance, efficiency, and effectiveness of the Federal Trucking Industry Security Grant Program and to report its findings to Congress. As required by Congress, we assessed the need for the program, and made recommendations to improve the effectiveness and utility of the program and motor carrier security.

As a result of frequent shifts in fiscal and programmatic oversight among various components, DHS did not evaluate its continued use of enrollment as its primary performance measure for the Highway Watch[®] program. ATA met enrollment targets through multi-million dollar reimbursements to state trucking associations, and sole source subcontracts, and did so at the expense of developing cooperative relationships with other highway and motor carrier industry organizations. Although there are now more than 800,000 Highway Watch[®] members, active participation in

the program has been low, averaging about four to five security incident reports a day.

Increasing awareness on the Nation's highways through the active participation of surface transportation professionals has merit given the size and mobility of the trucking industry. However, DHS needs to look for ways to improve the effectiveness of the program. Congress' decision to open the Trucking Industry Security Grant Program to competitive bidding in FY 2008, coupled with more stable DHS oversight, should benefit the program.

DHS Needs to Re-evaluate the Program's Enrollment Strategy

The Trucking Industry Security Grant Program's enrollment strategy has had far-reaching implications for Highway Watch[®], because it led to more than \$30 million in expenditures related to outreach, recruitment and training efforts, but did not encourage industry-wide participation, or the development of more or better quality incident reporting. Initially, DHS wanted the program to involve all highway and motor carrier industry stakeholders and to provide appropriate sector-specific training. ATA did not implement that plan. Instead, ATA relied primarily on its state trucking associations to recruit, train, and enroll members. Its training program, while high quality, addresses only basic awareness and reporting issues.

This strategy left many industry organizations, which had the capacity to recruit their members or develop more specialized training, antagonistic or indifferent toward the program. Furthermore, ATA's enrollment strategy distracted it from fostering active participation or communication among Highway Watch[®] members. ATA questioned the use of enrollment as a performance measure, but DHS, through the terms of the cooperative agreement, continues to use it.

DHS has enforced extensive reporting requirements for expenditures, but has not carried out comparable programmatic oversight. Although member incident reports are a key indicator of Highway Watch's[®] effectiveness, neither ATA nor TSA adequately monitors Highway ISAC resolution of call center referrals or the volume or quality of security incident reports. DHS has spent \$63 million on Highway Watch[®], but has not evaluated the program's effectiveness or efficiency.

ATA's Enrollment Strategy Left Potential Partners Antagonistic Toward the Program and Affected Enrollment

In the formative years of Highway Watch[®], ATA could have developed more cooperative coalitions or subcontracts with highway and motor carrier industry organizations to establish a broad membership base. We interviewed representatives of school bus associations, state and local law enforcement and highway industry officers, union drivers, passenger bus companies, and independent owner operators. With the exception of school bus associations, ATA did not collaborate with or offer reimbursement to industry organizations to recruit, train, and enroll their members into Highway Watch[®]. Not only did this leave many potential Highway Watch[®] partners antagonistic or indifferent toward the program, it also affected enrollment, as these associations have a combined membership of more than 1 million.

The original cooperative agreement was intended to increase participant numbers and include all segments of the commercial motor carrier and transportation community, and create specialized training for individual driver and first responder and law enforcement communities. Support for this initial strategy varied among DHS components, and ultimately DHS did not hold ATA to the terms of the agreement. Thus, ATA continued to channel most funding for recruitment to state trucking associations.

According to the Highway Watch[®] database, of its 822,962 members, 676,851, or 82%, were recruited through a state trucking association, for which the association received compensation. Beginning in 2006, ATA also paid school bus associations to recruit members. In total, ATA reimbursed its state trucking associations \$14.5 million for outreach and training, and reimbursed school bus associations \$229,000 for outreach and training. State trucking associations persuaded some large companies to institute a 100% training policy to enroll as many drivers as possible. Some state trucking associations signed exclusive agreements with companies headquartered in their state which ensured they would receive compensation even when another state trucking association recruited and trained drivers from that company.

Figure 2: ATA Industry Advertisement



Source: ATA

ATA's strategy did not foster active participation among Highway Watch® members. Among large trucking companies, driver turnover may reach 100% a year, meaning that many drivers will change employer more than once a year. With high turnover, companies were training drivers without the expectation of a long-term commitment to the program. While state trucking associations obtained a mailing address to ensure that members receive their membership certificate and wallet card, members provided a contact telephone number or email address on a voluntary basis. Of the 822,962 members, 231,016 (28%) provided neither a telephone number nor an email address, 571,323 provided only a telephone number, and 336,574 provided an email address. Members do not receive alerts or updates after they join the program, and the website is not routinely updated. Because the program did not achieve its FY 2004 membership target of 400,000 until mid-2006, the limited engagement of those enrolled may not have become apparent until several years into the program (see Appendix G).

The effects of involuntary membership are perhaps best illustrated by Georgia's experience. From mid-2006 to January 1, 2008, Georgia required mandatory enrollment in Highway Watch® as a condition for obtaining a state commercial driver's license. Georgia Highway Watch® members make up about one-fourth of the Highway Watch® program's national enrollment. The number of safety and security incidents reported by Georgia members since 2004 was 645, the highest in the program. However, the percentage of enrolled Georgia drivers who called in a safety or security incident was among the five lowest participation rates in the country (see Appendix F). The number of enrolled drivers may not accurately illustrate Highway Watch® members' commitment toward the program.

Comparing the dates when members are trained and enroll to when they make incident calls indicates that participation drops off over

time. As shown in Figure 3, members made about 500 incident reports within a month after completing training, and an additional 900 incident reports within four months after receiving training. After four months from the date members were trained, the number who made incident reports fell each month. More than one-half of the members who did make incident reports made them in their first year after they received training.

Figure 3: Post-Training Participation Decline Over Time



Source: Highway Watch Database

As shown in Appendix G, this pattern is consistent regardless of when Highway Watch® members enrolled and whether they made one or multiple incident reports. This pattern may be skewed because participants receive a new card and new enrollment date if they report a card lost or stolen, and because drivers who transfer from one participating employer to another may receive additional training. Emphasizing enrollment benefits the program more in the short term than in the long term. The cooperative agreement has not required refresher training or ongoing outreach, because performance was measured by the number of new enrollments rather than participation by existing members.

DHS Needs to Increase its Involvement

DHS did not hold ATA to the original terms of the agreement largely because programmatic responsibility shifted between its components several times during the initial years of the program. Inconsistent responsibility for programmatic and fiduciary oversight hampered DHS' ability to identify and address weaknesses in the program. In certain instances, DHS staff identified flaws in the program but under the terms of the cooperative agreement lacked authority to address them. Some DHS staff believed their limited authority led to unnecessary costs

and poor prioritization of resources. Although DHS grant staff implemented extensive reporting requirements, they asserted they did not have the authority to implement spending controls. In addition, program managers saw the program as a congressional earmark and were less likely to question costs.

Each DHS agency in charge of dispersing Highway Watch[®] funds required ATA to provide budget worksheets and justifications, monthly and quarterly technical reports, financial status reports, independent audits, and evidence of general and administrative expenditures. There were also reporting requirements for training and recruitment activities, and monthly reports on the activities of the state trucking associations, the call center and the Highway ISAC. DHS delayed approval of the first Mississippi State University subcontract until MSU described in detail what it intended to deliver. DHS also required ATA to submit draft publications and training and outreach materials for approval, to monitor quality.

Although individuals within DHS components have made a concerted effort to coordinate and meet regularly to discuss the program, organizational restructuring and shifts in responsibility have limited their effectiveness. TSA maintained responsibility for the program when it transferred from DOT to DHS, and provided a small non-competitive grant to keep the program operating. Congress authorized \$19 million for Highway Watch[®] in 2003, but DHS did not award the funds until March 2004. In May 2004, DHS shifted program responsibility from TSA to the then Office of State and Local Government Coordination and Preparedness (SLGCP), but TSA retained fiduciary responsibility. SLGCP's Office of Domestic Preparedness (ODP) managed the FY 2004 grant for \$21.7 million and the FY 2005 grant for \$4.8 million. TSA maintained fiduciary responsibility in FY 2004, but transferred that responsibility to SLGCP for FY 2005.

In October 2005, SLGCP's ODP was transferred to the Preparedness Directorate, and the Office of Grants and Training (G&T) assumed fiduciary and program oversight for the FY 2006 grant award for \$4.8 million and the FY 2007 grant award for \$11.6 million. Finally, in March 2007, DHS transferred G&T operations to the Federal Emergency Management Agency's (FEMA's) Capabilities Division. FEMA assumed fiduciary responsibility, while TSA resumed its program oversight role. Currently, within TSA, the Transportation Sector Network Management (TSNM) Highway and Motor Carrier Division provides subject matter expertise. TSNM Integration developed

and posted the grant application. A panel of TSA TSNM and FEMA officials evaluated the FY 2008 grant proposals.

Figure 4: Funding and Program Oversight

Fiscal Year Grant Award	Grant Administration	Program Oversight	Award
2003	TSA	SLGCP	\$19,300,000
2004	TSA	SLGCP	\$21,780,000
2005	SLGCP	SLGCP	\$4,828,569
2006	G&T	G&T	\$4,801,500
2007	G&T	G&T	\$11,640,000
2008	FEMA	TSA TSNM	\$15,544,000

Source: DHS Grant Documentation

In several instances, one DHS component approved funding requests when another component had concerns about initiating or continuing the program. For example, TSA officials said that they had tolerated what they considered excessive spending and skewed priorities in the first year of the cooperative agreement, but intended to renegotiate terms in the second year. However, responsibility for the program was shifted from TSA to SLGCP. SLGCP extended the terms of the first year agreement for another year. In 2007, FEMA officials had concerns about the second sole source subcontract with MSU, in part because they wanted to ensure that sufficient funds were available to operate the call center and the Highway ISAC. FEMA officials said that while they could verify that ATA was spending money for the purpose allocated, they did not have enough authority under the terms of the cooperative agreement to ensure that the work was accomplished efficiently. FEMA could not require competitive bidding on subcontracts or use of a survey to determine whether costs of a sole-source subcontract were within industry standards. TSA TSNM Highway and Motor Carrier Division officials said their TSNM Integration unit did not consult them before publishing the 2008 grant. The terms of the FY 2008 grant were almost identical to the FY 2007.

DHS Should Clarify its Expectations of the Highway ISAC

The Highway ISAC is complying with reporting requirements, including lists of its published alerts and lookouts, and its outreach efforts. However, processes related to security incident reports are not as well documented. Although there is a consensus that the Highway ISAC is a valuable resource, TSA officials responsible for motor carrier security, TSOC officials who interact with the ISAC, and associations representing highway law enforcement

officials were unsure of the scope of the ISAC's role and responsibilities. Improving oversight and clarifying the ISAC's role would enable TSA TSNM and TSOC officials, the grantee's program managers, and the ISAC to develop a common understanding of the ISAC's mandate and performance measurements.

Neither TSA grant officials, the TSOC, nor ATA headquarters officials provided direct oversight or supervision of the Highway ISAC staff. Although screening driver incident reports is the Highway ISAC's primary mission, we determined that the ISAC staff maintained limited and incomplete records on how they resolved call center referrals of security incident reports. In addition, the Highway ISAC received insufficient direction on the scope of information it should include in its alerts and lookouts. Most of the industry representatives and DHS subject matter experts we interviewed do not support the ISAC's practice of reporting on fugitives, missing children, or other incidents not directly related to highway and motor carrier security.

DHS has not adequately coordinated fiscal and programmatic oversight of the grant. Individuals within TSA and FEMA have made a concerted effort to coordinate and meet regularly to discuss the program, but shifting and split responsibilities have limited their effectiveness.

Recommendations

We recommend that the Assistant Secretary for Transportation Security Administration:

Recommendation #1: Analyze the effectiveness of Highway Watch[®] enrollment strategies and provide the Office of Inspector General a report on how program effectiveness will be measured in the FY 2009 grant, and why this measure was chosen.

We recommend that the Assistant Secretary for Transportation Security Administration and the Administrator of the Federal Emergency Management Agency:

Recommendation #2: Revise the FY 2009 grant to reflect DHS' expectations for updating enrollment and participation strategies, including changes to membership criteria, training curriculums, and outreach requirements.

Management Comments and OIG Analysis

TSA's Comments to Recommendation #1:

TSA did not provide formal comments on the draft report. However, TSA officials informed us that they concurred with Recommendation #1. TSA agreed to provide an action plan within 90 days of the report's publication.

OIG Analysis: We consider the proposed course of action responsive to our recommendation. The recommendation is resolved and open.

TSA's and FEMA's Comments to Recommendation #2:

TSA and FEMA concurred with Recommendation #2. TSA agreed to provide an action plan within 90 days of the report's publication. FEMA noted that FEMA and TSA program managers would work jointly to establish enrollment and participation standards, and establish expectations for the program's new grant recipient. FEMA noted that federal managers would monitor the training program more closely and anticipate requiring more frequent communication and coordination between the grant recipient and enrollees.

OIG Analysis: We consider the proposed course of action responsive to our recommendation. The recommendation is resolved and open.

The Efficiency of ATA's Program is Difficult to Evaluate

ATA incurred costs to acquire the assistance of state trucking associations and those costs were not well documented. Specifically, ATA's reliance on sole-source contracts and consultancies, reimbursements to its own state trucking associations, untimely reimbursement submission, and its complex system for tracking expenditures provided limited information with which to assess expenditures.

Based on congressional language, DHS awarded the trucking security grant to ATA without competition. Because the grant was a cooperative agreement, ATA needed only to demonstrate that its expenditures were reasonable and met the program's objectives. Therefore, we could not determine whether the program has been costly, or cost-beneficial, or could have achieved similar results at

less cost. ATA provided required justifications for these practices. However, the TSA and FEMA officials involved in highway and motor carrier security and grant management, as well as many of the industry representatives whom we interviewed for this review, said they had the impression that ATA was running the program inefficiently.

Neither DHS nor ATA conducted a cost benefit analysis of ATA's expenditures. But by 2006, Highway Watch[®] began introducing management practices that cut costs within the existing program's structure. At the time of our review, with the notable exception of costs tied to the performance measures of the cooperative agreement, most remaining inefficiencies were administrative.

Sole-Source Subcontracts Limited Transparency

Sole-source contracts are not very conducive to cost benefit analysis. ATA justified its use of sole-source contracts due to time constraints and the need for specialized expertise available only from their contractual partners. However, the noncompetitive nature of these contracts, and because some were awarded to institutions in the states or districts of members of Congress who sponsored the Trucking Industry Security Grant Program, created the impression that ATA was funding earmarks. They also made it difficult for us to assess whether ATA was awarding and administering these subcontracts efficiently.

In the past 5 years, DHS authorized four sole-source subcontracts that totaled \$22.5 million as well as more than \$4 million for various consultants and public relations contracts (see Appendix E). Actual expenditures for sole-source contracts include: \$9.8 million to Senture to operate the call center in Kentucky; \$3.3 million for public relations contracts; \$3.3 million for training reproduction and distribution services; \$2.7 million to Anexinet for database and website development; \$2.1 million to Total Security Services International, Inc., for training; and \$1.9 million to Mississippi State University for emergency planning exercises and research. We could not determine whether these services could have been provided at a lower cost or with higher quality. ATA met federal requirements for obtaining spending authorizations, provided sole-source justifications, and obtained an independent financial audit of expenditures. Each of these subcontractors provided the services specified. However, the expenditures for the call center and for Anexinet's database and website development were miscalculated in the initial cooperative agreement planning

document because the volume of member calls and internet traffic was considerably less than projected.

ATA Expended Most Outreach and Training Money On State Trucking Associations

ATA's state trucking associations were a principal fiscal beneficiary of the outreach and training program. ATA reimbursed state trucking associations \$14.5 million for outreach and training for 676,851 of the 842,028 Highway Watch[®] members, and reimbursed school bus associations \$229,000 for outreach and training for 88,309 members. ATA's decision to recruit industry professionals through its state trucking associations and through school bus associations, coupled with an industry perception that highway safety and security training cost less than \$5 per trainee, led many to conclude that ATA's strategy was inefficient and designed to benefit its state trucking associations. ATA did not enter into reimbursable agreements with other trucking industry organizations and may have missed opportunities to enroll many of the one million members of these organizations at equal or less cost.

Our analysis of reimbursement fees showed that ATA sought to address inefficiencies or improve incentives within the existing program. Initially, ATA paid state trucking associations for time and materials, but many associations believed the reporting requirements were too cumbersome, and eventually switched to a system whereby they received \$4,000 a month for overhead, \$500 a month for DHS reporting requirements, and a sliding per-enrollment fee that rose as they met or exceeded target goals. During these phases, administrative overhead alone cost more than \$2.5 million a year in reimbursements to state trucking associations.

In 2007, ATA introduced a third reimbursement structure that paid state trucking associations the following fees:

- \$16 for each enrollment for which the association completed data entry on the new member;
- \$14 for each enrollment for which the call center completed data entry; and
- \$3 for each enrollment in which the member completed the training and data entry online.

Contracts with school bus associations, which were introduced in 2006, paid \$3 per trainee and overhead expenses.

Program's Administrative Costs Were Difficult to Evaluate

While ATA appeared to be allocating funding as required by the cooperative agreement and authorized budgets submitted to DHS, ATA's budget codes to track spending were difficult to evaluate. We were not able to examine each line item to verify expenditures. DHS program administrators also struggled to understand and control costs.

ATA's spreadsheets contained line items that did not correspond with budgets it presented to DHS, while line items on the DHS budget were not itemized using the same categories on the spreadsheet. For example, the call center is one of several expenditures under "research," while payments to state trucking associations were broken down under six separate categories unrelated to the DHS grant authorization line items. In addition, with its subcontractors and state trucking associations, ATA was paying fixed prices for services and did not control or review their expenditures. At our request, ATA provided spreadsheets documenting categories of expenditures that corresponded to its budget requests to DHS, but this process was labor-intensive because ATA had not been tracking its expenditures by program priorities.

ATA's largest administrative costs were for salary, including the staff, fringe benefits and overhead as listed in Appendix E, at \$7 million, and general and administrative costs (listed as G&A in Appendix E), at \$10.9 million. Although ATA initially estimated general and administrative costs at 10.8% of its total costs, it raised rates to 22.1% in 2006 and 23.9% in 2007, and in 2008, TSA retroactively raised the 2004 rate to 24.3%. Initial rate calculations were based on a volume of membership applications and incident reports that was never realized. The FY 2006 and FY 2007 rates were determined by a third party at DHS' request, while the readjustment of the 2004 rates was based on TSA's review of incurred expenses.

ATA did not submit its expenditures regularly. As a result, both grant administration staff and we had difficulty matching expenditures with authorized activities. ATA used to provide copies of receipts to DHS grant administrators. In 2007, DHS introduced an agency-wide automated draw down system thereby eliminating the need to collect receipts. This paperless reimbursement system is more efficient, although less transparent.

In our first review of the program, we reported the amount and percentage of expenses dedicated to general and administrative costs, but did not identify what these expenses covered. During fieldwork for this review, we noted in meetings on the program's budget, contracts, database, and website that ATA dedicated extensive personnel resources to its Highway Watch[®] program that would be appropriately billed as general and administrative costs. However, our initial report outlining the high percentage of the budget dedicated to general and administrative costs, and the need for more details on what these costs covered, contributed to a perception in the industry and Congress that the program was operating inefficiently.

The language in congressional authorizations limited DHS' discretion to choose the grant recipient and set program priorities, and DHS grant administrators struggled to control costs. For example, several TSA and SLGCP officials questioned the need for the initial 2004 MSU sole source subcontract to provide emergency preparedness exercises. At the time, Highway Watch[®] was behind schedule on training and enrollment, and the program's core mission was still being established.

However, Congress directed that a portion of the program funds be made available for emergency planning and exercises, so DHS authorized funding for those purposes.⁶ While officials believe that Congress' intentions restricted their ability to question costs, the transfer of the program from TSA to SLGCP and then the bifurcation of programmatic and fiscal oversight between TSA and FEMA were also contributing factors.

ATA Took Steps to Control Some Costs

Among current and former Highway Watch[®] officials, opinions about ATA's strategy and practices varied. Some believed that while ATA had not fully anticipated some of the difficulties it encountered, Highway Watch[®] was the first program of its kind and start-up costs were inherent in establishing a new model for government-private sector cooperation. Some officials described reliance on sole-source contracts as a pragmatic approach during the start-up phase, while others saw the sole-source contracts as overly expensive or unnecessary quid pro quos for congressional support for the program. Some former officials said that ATA's decision to work through its state trucking associations damaged the program's credibility and outreach opportunities to continue to

⁶ S. Rep. No. 108-280, at 56 (2004).

expand the program in the highway industry. Some Highway Watch[®] officials said that frequent DHS restructuring made it difficult for DHS or ATA to re-evaluate the terms of the original cooperative agreement, and of particular importance, to re-evaluate enrollment numbers as a primary measure of the program's success.

The former director of Highway Watch[®] took several steps to reduce sole-source and subcontract expenditures. For example, he directed that ATA contract for a web-based database and online training program which, while costly to develop, made Highway Watch[®] more efficient. ATA was able to renegotiate its agreements with state trucking associations because it no longer needed to reimburse the associations for reporting requirements automated with the database. In addition, ATA cut monthly overhead expenditures by paying a flat rate for each enrollee. At the current rate of \$16 per enrollee, several state trucking associations dropped out of the program, indicating that the fee was at or below their costs.

The former director of Highway Watch[®] worked closely with the call center to reduce staff from ten to four full time staff and expanded operators' duties accordingly. Call center staff reductions were possible in part because Georgia repealed a requirement that all commercial drivers obtain Highway Watch[®] training, which reduced enrollment volume and corresponding administrative costs. Several DHS officials said that some ATA staff brought to their attention concerns about subcontracts that ATA staff themselves perceived as unnecessary.

Administrative Inefficiencies in Enrollment Process

About one-half of the Highway Watch[®] enrollments came from forms completed by hand and mailed to the call center. Call center operators estimate that between 10% and 20% of these enrollments are duplicates, most likely from truck drivers who have changed employers. The form does not require enrollees to specify whether they are already Highway Watch[®] members, and the data entry process does not allow operators to recognize a duplicate enrollee until all of the information on the form has been entered. In addition, because the database can operate slowly or inconsistently, and can drop entered data without warning, operators are resubmitting data. Operators said the system's unreliability is particularly frustrating when they are on an incident call and must re-enter extensive notes on the incident. Finally, ATA's database is not configured to provide the Highway ISAC with a direct

download of incident reports. Call center operators are emailing information to the ISAC, which stores it in unlinked Microsoft Word and Excel documents, losing much of the analytical potential of the database.

Despite call center staff frustration with the inconvenience of lost data and productivity, there has been little incentive for ATA to address these issues because funding and staffing for the program have been high and volume of incident reports relatively low. While addressing these administrative inefficiencies may improve productivity and reduce costs, they are not as important as the need to re-evaluate the program's enrollment strategy.

Recommendations

We recommend that the Administrator of the Federal Emergency Management Agency:

Recommendation #3: As part of its fiscal oversight responsibilities for the grant program, FEMA should verify that all reported expenditures are adequately supported and made according to the grant agreement.

We recommend that the Assistant Secretary for the Transportation Security Administration and the Administrator of the Federal Emergency Management Agency:

Recommendation #4: Amend the cooperative agreement to address database inefficiencies and build interoperable capabilities for the Highway ISAC.

Management Comments and OIG Analysis

FEMA's Comments to Recommendation #3:

In its response, FEMA stated that it "supports this recommendation and will request a financial audit from the IG for compliance with this recommendation within 60 days of release of this report."

OIG Analysis: We reworded the original recommendation that FEMA audit these funds to say should FEMA review reported expenditures. We will resolve and close this recommendation when we receive confirmation that FEMA has completed its review. This recommendation is unresolved and open.

TSA's and FEMA's Comments to Recommendation #4:

TSA did not provide formal comments on the draft report. However, TSA informed us that it concurred with the recommendation, and agreed to provide an action plan within 90 days of the report's publication. FEMA also concurred with the recommendation, stating that it would request that the new grantee create a database that could serve the information-sharing needs of the ISAC and the information analysis and collection needs of both TSA's TSOC staff and the ISAC.

OIG Analysis: We consider the proposed course of action responsive to our recommendation. The recommendation is resolved and open.

DHS Can Make the Program More Effective

The program has contributed to highway safety and security. It has addressed safety concerns, helped apprehend criminals, and reported potential security threats to federal agencies for investigation. However, absent a significant attack or disruption of an attack, it is hard to separate effective deterrence from the absence of a real security threat. Therefore, gauging the effectiveness of the grant program to date is difficult. The situation in the highway and motor carrier sector makes an evaluation of security programs even more difficult. Most roads are publicly accessible, most vehicles are privately owned, and when compared to the aviation sector, regulated security measures and reporting requirements are more limited. Moreover, DHS' goals for the program, creating additional layers of security, increasing vigilance of transportation workers, and aligning sector resources with high priority transportation security risks are not easily quantifiable.⁷

Areas of the program that represent key indicators of its success have produced mixed results. First, the cooperative agreement's strategy of focusing on enrollment numbers yielded neither active participation nor industry-wide support. ATA did not develop cooperative working relationships within the industry, limiting membership opportunities and distribution channels for alerts and lookouts.

⁷ *Transportation Sector Security Plan, Highway Infrastructure and Motor Carrier Modal Annex, Transportation Sector Goals and Objectives*, Transportation Security Administration, pages 17 and 18.

Second, on average, members report only four to five security incidents a day, a frequency that has remained constant even as membership has grown to more than 800,000. The benefit of training members before enrolling them is difficult to determine. Incident reports from non-members are of comparable quality to those made by trained members, and trained members do not consistently follow guidance. DHS should assess how it will train program participants in the future.

Third, the ISAC has not developed into a clearinghouse for surface transportation-related incidents. Non-members are more likely to call 911 or state authorities, and as previously mentioned, the ISAC is not coordinating its activities closely with the TSOC. The ISAC should aim to provide the greatest amount of support possible to the TSOC. While these conditions limit the effectiveness of Highway Watch[®], they do not completely negate the program's contributions to homeland security. TSA TSNM will resume program oversight in the 2008 grant cycle, and its primary focus should be to make the program more effective.

The Highway Watch[®] Training Strategy Has Produced Mixed Results

ATA did not reach out to all potential Highway Watch[®] participants, and hence was not perceived well by industry. Industry organizations reacted to ATA's focus on recruiting and training through state trucking associations by not actively encouraging their members to join Highway Watch[®]. Instead, representatives of many industry organizations said that their members were far more likely to call 911 or designated state safety and security authorities than the call center.

Unlike ATA's state trucking associations, which represent the owners of large trucking companies, other organizations in the sector represent the owner-operators, law enforcement officers, construction workers and toll booth operators who work on the highways. Endorsement by these organizations might have brought a broader membership to Highway Watch[®]. Although Highway Watch[®] is open to anyone in the sector, DHS' reliance on one entity to reach out to all segments of the ground transportation industry may have limited opportunities.

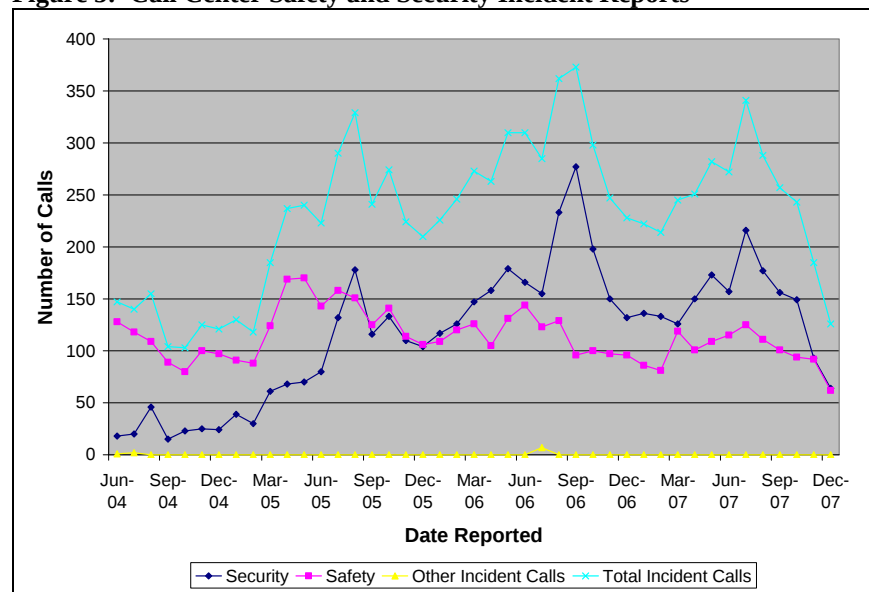
Limited outreach also diminished the effectiveness of information-sharing strategies. The ISAC did not distribute its alerts and lookouts to Highway Watch[®] members unless a member specifically requested to be on the distribution list. Instead, the

Highway ISAC distributed its materials to a limited list of key industry organizations and relied on them for distribution.

Some former Highway Watch[®] officials were critical of the alerts the ISAC distributed, saying the material placed undue emphasis on the ATA Highway Watch[®] brand, and that the subject matter, such as stolen trucks, represented the interests of ATA as much as national security. Several representatives from the industry said they had not seen many alerts or lookouts. Several others said that they did not forward some of the alerts and lookouts because they were clearly related to common crime, or unsuitable for a national audience. Although these are legitimate concerns, the underlying issue is that DHS needs to take a leadership role and better define the mission and scope of the ISAC.

As outlined above, Highway Watch[®] members have not reported many incidents. From the program's inception to March 2008, the call center has received 10,493 incident calls, of which 5,343 or 51% were security related. The remaining 5,150 calls dealt with safety issues. As shown in Figure 5, after the program's first year, and with the exception of anniversaries of September 11, 2001, total security calls have remained fairly constant at between 100 and 200 calls a month.

Figure 5: Call Center Safety and Security Incident Reports



Source: ATA Monthly Activity Reports To DHS

The reporting rate has stayed largely constant even while membership grew from less than 100,000 to more than 800,000. Only 5,439 Highway Watch[®] members have called in a safety or security incident. Nonmembers have made 2,170 incident reports.

Remaining reports were made by members who called more than once. There were 1,047 members who made multiple calls, 15 of whom made more than 20 calls. The routine nature of many of these reports—such as reckless drivers, accidents, vehicles parked near infrastructure or in unusual places—suggests that many drivers who observe similar incidents are not using the call center.

ATA's strategy limited participation by other industry professionals such as owner-operators, state and local law enforcement and highway workers, and toll booth operators. ATA may have also limited participation by not systematically collecting contact information and maintaining communication with enrolled members.

Requiring Highway Watch[®] members to receive training before they enroll is logical, but that training does not ensure members submit quality reports. In fact, the quality of members' safety and security incident reports has varied. The call center director stated that as a matter of policy it accepts incident reports from anyone, and follows the same procedures for forwarding calls.

We reviewed incident reports made by Highway Watch[®] members and non-members, listened to recordings of calls, and interviewed call center operators. Nonmembers who made security incident reports willingly provided their contact information to forward to the ISAC. The types of incidents reported and the quality of information provided was comparable to those made by enrolled members. While nonmembers made good reports without completing the training, it should be noted that most of these nonmembers were industry professionals, and most obtained the call center number from a member or the program's website.

Conversely, Highway Watch[®] members routinely disregarded basic tenets of their training. They are trained to call 911 first for an emergency, but call center operators must tell some callers to hang up and call 911. The training warns against confronting a subject, but some members did make contact, and even represented themselves as having some authority because they were Highway Watch[®] members. Many calls contained too few specific details to be actionable.

The training stresses the importance of focusing on unusual behaviors and activities, not ethnicity. It also stresses that members should watch for both potential domestic terrorists—such as the Oklahoma City bombers—and foreign terrorists. In spite of this guidance, a substantial portion of incident reports involved

behaviors or activities that would not otherwise be considered suspicious, but appear to have been reported because they involved individuals the caller perceived to be Middle Eastern or Muslim. In some cases the reports contained questionable descriptions; members likely confused Sikhs with Muslims, and several described their subject as either Middle Eastern or Hispanic. Callers whose reports suggested to call center operators or ISAC officers that they were emotionally disturbed were sufficiently common that the ISAC had a coding category for such calls.

Given the low volume of incident reports, the cost of processing such calls is negligible, and they are easily screened at the ISAC. However, the prevalence of overly general and inappropriate calls suggests that the 1-hour training members receive before enrollment may need to be extended or reinforced to improve the overall quality of incident reports.

The Highway ISAC Can Provide Better Support to the TSOC

Given the modest volume of calls to the call center, it is unlikely that Highway Watch[®] incident reports represent a large proportion of all highway-related security incident reports. Officials from organizations that represent drivers, state governments, and state and highway law enforcement officers said that most of their members would report incidents to entities other than Highway Watch[®]. TSOC staff confirmed that they routinely hear of incidents through the state fusion centers, and they view the Highway ISAC as just one of many sources of information on highway and motor carrier security.

For the ISAC to be effective, it should work closely with, and provide support to, the TSOC. TSA should clarify the ISAC's role at the TSOC, and improve oversight. Closer oversight of the ISAC's activities is needed because the ISAC is not placing a high priority on supporting the TSOC. Given that half of the Highway ISAC's staff is funded by the grant program, and half by the ATA, providing such support is a reasonable expectation.

Current and former TSOC officials stated that they welcomed the ISAC's presence at the TSOC and their relationships with the current and former ISAC directors have been good. TSOC surface transportation officials stressed that the presence of any additional staff dedicated to highway and motor carrier security was valuable. However, current and former TSOC officials had relatively limited information about the volume of security incident referrals the ISAC received, and the existence of the Highway Watch[®]

database, or the resources and professional relationships developed by the ISAC staff.

TSOC officers did not believe that they had the authority to specify how the ISAC provided them information. For example, one TSOC official said while he preferred that the ISAC forward each incident call as its credibility was determined, the ISAC was holding information while it analyzed calls. One TSOC officer said that the information would be more valuable if the ISAC followed the TSOC's reporting standards rather than its own.

While TSOC officers routinely passed on information and asked ISAC staff whether they have received similar reports, TSOC staff said they thought their own industry and law enforcement contacts were in some instances better than those developed by the ISAC. It is not likely that current working relationships would deter or delay investigation of an important security incident, but the ISAC could work more effectively and leverage limited surface transportation resources if it sought more direction from the TSOC.

Recommendations

We recommend that the Assistant Secretary for Transportation Security Administration:

Recommendation #5: Amend the FY 2009 cooperative agreement to enable the TSOC to establish program priorities with the Highway ISAC, and to obtain incident reports which conform to TSOC reporting standards.

Recommendation #6: Amend the FY 2009 cooperative agreement to require the Highway ISAC to track and report the disposition of security referrals it receives from the call center.

Management Comments and OIG Analysis

TSA's Comments to Recommendation #5:

TSA did not provide formal comments on the draft report. However, TSA informed us that it concurred with the recommendation, and agreed to provide an action plan within 90 days of the report's publication.

OIG Analysis: We consider the proposed course of action responsive to our recommendation. The recommendation is resolved and open.

TSA's and FEMA's Comments to Recommendation #6:

TSA did not provide formal comments on the draft report. However, TSA informed us that it concurred with the recommendation, and agreed to provide an action plan within 90 days of the report's publication. FEMA also responded to Recommendation #6. FEMA agreed that there are substantial benefits in tracking and reporting security referrals, and would require the new grantee to develop and implement a tracking and reporting tool for the ISAC.

OIG Analysis: We consider the proposed course of action responsive to our recommendation. The recommendation is resolved and open.

Recommendations Regarding the Future of the Program and Motor Carrier Security

There is a need for the Highway Watch[®] program. Professional truck and passenger bus drivers are an unusual constituency in that they may travel considerable distances and may not be familiar with their location or contact information for state authorities when they observe a nonemergency incident.

The Highway Watch[®] program is a good concept. The call center's staff is well trained and skilled at eliciting information about the individual's location and the details of the reported incident. They follow up promptly with local authorities and drivers on safety incidents, and transfer security incidents immediately to the ISAC. The Highway ISAC performs an important function of vetting member security incident reports to save time for TSOC officers and state fusion centers. With better recordkeeping and a stronger focus on assisting the TSOC, the ISAC has the potential to boost TSOC capability. While many TSA and FEMA officials, representatives of highway and motor carrier associations and organizations, and even former ATA employees were critical of how the Highway Watch[®] program was executed, few questioned the value of the concept.

Moreover, initiatives Highway Watch[®] took to address some programmatic inefficiencies, the recommendations we make in this

report, and open competition for the 2008 Federal Trucking Industry Security Grant all offer opportunities to improve the program. Of these factors, the recent FY 2008 solicitation and competition provided the government with the opportunity to select the candidate with the best ideas for executing the program. In addition, returning programmatic oversight to the TSA TSNM Highway and Motor Carrier Division will stabilize the program and return authority to subject matter experts.

Appendix A

Purpose, Scope, and Methodology

The Implementing Recommendations of the 9/11 Commission Act of 2007 required that we initiate a two-part review of the Federal Trucking Industry Security Grant Program.⁸ The first part was completed and published in October 2007, *Administration of the Federal Trucking Industry Security Grant Program for FY 2004 and FY 2005* [OIG-08-08]. The purpose of our second review was to:

- (1) Analyze the performance, efficiency, and effectiveness of the Federal Trucking Industry Security Grant Program, and the need for the program using all years of available data; and
- (2) Make recommendations regarding the future of the program, including options to improve the effectiveness and utility of the program and motor carrier security.

We reviewed DHS administration of the trucking industry security grant program from FY 2003 to FY 2007. We began fieldwork for this report in February 2008. We interviewed more than 50 individuals involved in the highway and motor carrier industry and in transportation safety and security. These interviews included representatives from TSA's Office of Transportation Sector Network Management Highway and Motor Carrier Division and Integration, TSA's TSOC, and representatives of FEMA's Capabilities Division. Additionally, we interviewed DHS officials who had previously been responsible for programmatic and financial oversight of the Highway Watch[®] program.

We interviewed current and former employees of the American Trucking Associations who worked on the Highway Watch[®] program, including current and former vice presidents, General Counsels, Highway ISAC directors, program managers, and financial, contracting, administrative, and information technology experts. We also interviewed subcontractors who worked with Highway Watch[®], including representatives of the call center, Mississippi State University, and Total Security Services International, Inc. We visited the call center, in London, Kentucky, as well as the Highway ISAC and TSOC co-located in Herndon, Virginia.

We interviewed representatives of highway and motor carrier industry associations and organizations, including the: American Association of Motor Vehicle Administrators; American Association of State Highway and Transportation Officials; American Bus Association;

⁸ Pub. L. 110-53 § 1542

Appendix A

Purpose, Scope, and Methodology

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) United Transportation Union; Commercial Vehicle Safety Alliance; International Bridge, Tunnel and Turnpike Association; International Brotherhood of Teamsters; National Association of Truck Stop Operators; National School Transportation Association; Owner-Operator Independent Drivers Association; and the United Motorcoach Association.

We requested and reviewed documentation and data from TSA, FEMA, and ATA including:

- Laws and regulations relevant to highway and motor carrier security and federal authorities and responsibilities;
- TSA's Highway Infrastructure and Motor Carrier Modal Annex to the Transportation Sector Specific Plan;
- Memorandums and organizational charts documenting reorganizations and personnel changes within TSA and FEMA related to the Highway Watch[®] grant;
- Materials related to the cooperative agreements between DHS and ATA, including grant kits, investment justifications, and signed agreements;
- Documentation on the Highway Watch[®] program, including the Highway ISAC, such as standard operating procedures, policy, guidance, monthly and quarterly activity reports, and lists and samples of alerts and lookouts distributed by the ISAC;
- Training materials used in the Highway Watch[®] program, including the Highway Watch[®] and School Bus Watch training materials, teacher's manuals, train-the-trainer materials, and course evaluations;
- Documentation on ATA subcontracts, including subcontracts with Mississippi State University, the call center, Total Security Services International, Inc., and Anexinet, with statements of work and preliminary budgets;
- ATA's reimbursement agreements with state trucking associations and bus associations;
- Budget and financial documents related to Highway Watch[®], including ATA budget requests, reimbursement documentation, internal ATA budget spreadsheets, and independent financial audit reports; and
- Copies of the Highway Watch[®] databases for membership, state trucking association reimbursements, and incident reports.

Appendix A

Purpose, Scope, and Methodology

This review was conducted under the authority of the *Inspector General Act of 1978*, as amended, and according to the *Quality Standards for Inspections*, issued by the President's Council of Integrity and Efficiency.

Appendix B

Management Comments to the Draft Report

We provided TSA and FEMA with a draft of this report for review and comment. TSA concurred with the relevant recommendations and stated that it would provide an action plan to implement each relevant recommendation within 90 days of publication of this report. FEMA concurred with the relevant recommendations and stated that it would initiate a financial audit within 60 days of the publication of this report. TSA did not submit a formal letter of response. FEMA's response is provided below.

Appendix B

Management Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20472



FEMA

MEMORANDUM FOR: Richard L. Skinner
Inspector General

FROM: Marko Bourne 
Director
Office of Policy & Program Analysis

SUBJECT: FEMA Response to Office of the Inspector General Draft Report, "*The Effectiveness of the Federal Trucking Industry Security Grant Program*".

This memorandum provides FEMA's response to the subject Office of the Inspector General Draft report. We have coordinated our response with the Transportation Security Administration.

We sincerely appreciate the opportunity to provide updated status in our effort to respond to the OIG's recommendations in this report. As FEMA works toward refining its programs, the Office of the Inspector General's independent analysis of program performance greatly benefits our ability to continuously improve our activities. We look forward to continuing this partnership in the future. Questions concerning the attached document should be addressed to Brad Shefka, Chief, FEMA GAO/OIG Audit Liaison Office, 202-646-1308.

Attachment

www.fema.gov

Appendix B

Management Comments to the Draft Report

FEMA Response to OIG Draft Report on the Effectiveness of the Federal Trucking Industry Security Grant Program

FEMA has reviewed the draft audit report and concurs with recommendations 2, 3, 4, and 6.

OIG recommends that the Assistant Secretary for Transportation Security Administration:

OIG Recommendation #1: Analyze the effectiveness of Highway Watch® enrollment strategies and provide the Office of Inspector General a report on how program effectiveness will be measured in the FY2009 grant and why this measure was chosen.

FEMA Response: Transportation Security Administration and the Administrator of the Federal Emergency Management Agency (TSA) coordinated. TSA will provide written response.

OIG Recommendation #2: Revise the FY2009 grant to reflect DHS' expectations for updating enrollment and participation strategies, including changes to membership criteria, training curriculums, and outreach requirements.

FEMA Response: FEMA and TSA program managers will work jointly to establish enrollment, participation standards, and expectations for this program's new grantee. At a minimum, federal managers will request more frequent reviews of and, if warranted, changes to training programs. Federal program managers also anticipate the request that the grantees establish a periodic communication program with all enrolled participants and a much more ambitious initiative to receive and process feedback from the community of participating personnel.

OIG recommends that the Administrator of the Federal Emergency Management Agency:

OIG Recommendation #3: Audit funds expended between the inception of the program and March 31, 2008, to verify that expenditures are documented and follow the authorized budget.

FEMA Response: FEMA supports this recommendation and will request a financial audit from the IG for compliance with this recommendation within 60 days of release of this report.

OIG Recommendation #4: Amend the cooperative agreement to address database inefficiencies and build interoperable capabilities for the Highway ISAC.

FEMA Response: FEMA will request that the new grantee create a database of participating personnel and collaborative agencies that can serve the information sharing needs of the ISAC and the information analysis and collection needs of both TSA's TSOC staff and the ISAC.

Appendix B

Management Comments to the Draft Report

We recommend that the Assistant Secretary for Transportation Security Administration:

OIG Recommendation #5: Amend the FY 2009 cooperative agreement to enable the TSOC to establish program priorities with the Highway ISAC, and to obtain incident reports which conform to TSOC reporting standards.

FEMA Response: As the programmatic lead, Transportation Security Administration (TSA) is responding to this recommendation.

OIG Recommendation #6: Amend the FY 2009 cooperative agreement to require the Highway ISAC to track and report the disposition of security referrals it receives from the call center.

FEMA Response: FEMA agrees that there are substantial benefits in the careful tracking and reporting of the security referral reports that reach the ISAC/TSOC from the program call center. FEMA will require the new grantee to develop and implement a tracking and reporting tool for the ISAC.

After the September 11, 2001, terrorist attacks, Congress encouraged the addition of a security component to the Highway Watch[®] training program.⁹ In March 2003, ATA submitted a proposal to the Transportation Security Administration seeking an additional \$100,000 so that Highway Watch[®] could serve more states and support highway communications during a national emergency. TSA did not envision that the project would require substantial TSA involvement and the funds were awarded through a noncompetitive grant on August 1, 2003. This helped ATA sustain the Highway Watch[®] program during its redesign and expansion.

A week later, TSA announced the application period for \$19.7 million in FY 2003 program funds. TSA planned to make the award competitive, across four program priorities:

- Outreach
 - Participant Identification
 - Recruitment;
- Training;
- Call Center Operations; and
- Information Sharing and Analysis.

Fourteen companies, including ATA, applied.

Before TSA announced the award decision, ATA asserted that TSA could not call the program “Highway Watch[®]” because ATA registered the term as a service mark in March 2002. ATA further contended that Congress specifically earmarked the trucking industry security grant funds to the “existing joint industry–government Highway Watch[®] program.”¹⁰ On January 16, 2004, TSA sent a letter to each of the applicants stating that in the best interests of the government, it was canceling the announcement.

The first administrative review of the Federal Trucking Industry Security Grant Program established that:

- After having published a competitive announcement for \$19.7 million in FY 2003 grant funds, on January 16, 2004, TSA cancelled the announcement “in the best interests of the government” and entered into a cooperative agreement with ATA in March 2004 using the 2003 funds to expand the

⁹ S. Rep. No. 107-224, at 84 (2002).

¹⁰ H.R. Rep. No. 108-76, at 82 (2003) (Conf. Rep.).

program nationwide and to increase its capability to report security-related incidents.

- By FY 2004, ATA had received \$41 million in program funding and expanded the agreement's scope of work at no cost to the government to include mobilization planning exercises (by MSU) and other tasks.
- In May 2004, DHS split program management responsibilities for Highway Watch[®] between TSA and SLGCP based on an unsigned memorandum of agreement.
- Most program monitoring requirements for FY 2003 and FY 2004 were established by the FY 2003 cooperative agreement. They essentially required ATA to submit periodic technical progress and financial status reports as well as to report quarterly to TSA on its training and recruitment activities, coordination and relationship-building, the Highway Watch[®] call center, and the Highway ISAC.
- The TSA program manager was required to provide guidance and support to increase the effectiveness and efficiency of Highway Watch[®] and to integrate it with broader governmental objectives.
- TSA planned to hire a third party to perform an independent evaluation of the Highway Watch[®] program and set aside \$300,000 for that purpose. In March 2005 (FY 2005), SLGCP decided to postpone the independent program evaluation until Highway Watch[®] was a more vigorous program. SLGCP drafted a plan to use its own staff to perform the evaluation, rather than an independent third party as planned by TSA.
- ATA did not meet the FY 2004 target of training 400,000 highway professionals until June 2006 (FY 2007).
- ATA submitted its final technical completion report in March 2007.
- At \$5 million, the *FY 2005 DHS Appropriations Act* (Public Law 108-334) provided significantly less funding than the FY 2004 act. Eligibility for funding was limited to ATA to support and expand the existing Highway Watch[®] program. ATA began expending the FY 2005 funds in September 2006 and exhausted the majority of the funds in December 2006.
- The first report did not contain any recommendations.

Appendix D

Highway Watch Enrollment By Industry Sector

Enrollment January 1, 2004—December 31, 2006	
Truck/Motor Carrier	216,715
Unknown	101,245
School Buses	97,509
State Transportation Department	35,888
Professional Association	14,011
State Government	8,878
State Law Enforcement	8,695
Truck Owner Operator	8,425
City Transit	8,198
Road Builder	6,402
Other	4,213
Buses/ Motor Coach	4,177
Federal Government	1,769
Solid Waste	1,647
Total	517,873
Source: Monthly / Quarterly Reports	

Enrollment January 1, 2004—December 31, 2007	
Blank	635,488
Truck or commercial vehicle driver	104,051
Other source	92,138
School bus professional	41,047
State employee - transportation	2,332
Staff	2,185
Corporate executive or president	1,497
Warehouse employee	1,473
State employee - other	1,391
Municipal employee - other	729
First responder	713
Federal employee - other	617
State employee - public safety	584
Corporate operations officer	522
Motor coach professional	505
Safety director	483
Municipal employee - public safety	474
Mass transit professional	445
Municipal employee - transportation	418
Shipping employee	368
Security director	248
Federal employee - transportation	172
Federal employee - homeland security	125
Port employee	122
State Coordinator	81
State employee - homeland security	53
Municipal employee - homeland security	24
School Buses	1
Total	888,286
Source: Database Field "Individual Interest"	

Enrollment October 1, 2006—December 31, 2007	
Truck or Commercial Vehicle Driver	18,181
Other	2,850
School Bus Professional	1,446
Mass Transit Professional	1,099
State Employee—Transportation	1,065
State Employee--Other	559
First Responder Professional	358
Municipal Employee—Public Safety	354
Municipal Employee—Other	309
Motorcoach Professional	257
Warehouse Employee	256
State Employee—Public Safety	224
Municipal Employee—Transportation	190
Federal Employee Other	168
Safety Director	162
Shipping Employee	158
Corporate Executive or President	152
Corporate Operations Officer	134
Federal Employee—Transportation	113
Corporate Security Officer	58
Port Employee	31
Security Director	30
State Employee—Homeland Security	24
Federal Employee—Homeland Security	24
Municipal Employee—Homeland Security	17
Total	28,219
Source: Monthly / Quarterly Reports	

Enrollment January 1, 2004--March 15, 2008	
Driver / Truck Driver	343,031
No Occupation / No Title Provided	248,409
Bus Driver / Passenger Transportation	108,398
Occupation Various (1)	50,862
Highway Worker	32,412
Teacher / Student	16,706
Management	15,157
State Highway Worker	14,415
Owner Operator	13,027
Other	9,085
State & Local Law Enforcement	7,754
Office Worker	5,679
Sales / Service	4,491
Highway Safety / Security	4,311
Firefighter / First Responder	2,750
Dispatcher	2,167
Total	878,654
Source: Database Field "Title"	

Note: Enrollees may enter profession / industry sector in one or more of three data fields.

(1) Occupation various: enrollee entered title freehand, does not match other titles

Source: Highway Watch database

Appendix E

Highway Watch Budget Authorized and Spent

ATA Budget Authorized By DHS

	FY2003 (partial year)	FY2004	FY2005	FY2006	FY2007	Total
A. Participant Identification and Recruitment						
Staff	551,957	659,376	121,796	128,474	209,833	1,671,436
State Trucking Associations	5,680,000	5,630,000	1,285,000			12,595,000
State Trucking Associations & School Bus Associations				842,705	2,450,000	3,292,705
Consultants	1,200,000	200,000	240,000		5,500	1,645,500
Travel	460,000	560,000	112,000		22,500	1,154,500
Public Relations	50,000	1,875,000	375,000		54,000	2,354,000
Internet Website and Database		900,000	180,000			1,080,000
Supplies and Equipment	308,883	1,105,833	218,843		266,052	1,899,611
Total Authorized For Participant Identification And Recruitment						25,692,752
B. Training						
Staff	115,584	121,363		53,561	141,833	432,341
Mississippi State University	3,100,000	3,100,000	620,000	627,987		7,447,987
TSSI - Operation & Management	800,000	800,000	160,000			1,760,000
Reproduction	1,300,000	500,000	260,000	212,085	133,010	2,405,095
Other					67,650	67,650
Total Authorized For Training						12,113,073
C. Communications / Call Center						
Staff	354,330	372,046		36,857	361,926	1,125,159
Web-based infrastructure				957,695	300,000	1,257,695
Call Center	3,000,000	3,000,000	600,000	814,436	1,737,000	9,151,436
Miscellaneous Total					110,272	110,272
Total Authorized For Communications / Call Center						11,644,562
D. Information Analysis and Distribution						
Staff	134,885	199,399	82,528	57,367	469,662	943,841
Mississippi State University					1,794,900	1,794,900
ISAC Other Total					127,526	127,526
Total Authorized For Information Analysis and Distribution						2,866,267
E. Salary Fringe Benefits	@40.78%	@40.78%	@40.78%	@39.24%	@37.7%	Fringe Benefits
Salary Fringe Benefits	412,014	538,122	83,323	108,400	446,086	1,587,945
F. Salary Overhead	@7.30%	@7.30%	@7.30%	@7.19%	@42.68%	Salary Overhead
Salary Overhead	103,831	135,612	20,998	27,657	695,404	983,502
G. General and Administrative (G&A)	@10.76%	@10.76%	@10.76%	@22.07%	@23.92%	G&A
G&A	1,874,937	2,115,861	469,081	853,497	2,246,846	7,560,222
Grand Total Authorized	19,446,420	21,812,613	4,828,569	4,720,721	11,640,000	62,448,323
Note: Figures are based on approved budgets, not actual expenditures.						
Note: In 2008, TSA retroactively changed 2004 rates to:						
39.24% (Fringe Benefits), 7.30% (Salary Overhead), and 24.28% (G&A)						
Note: FEMA disallowed two unauthorized salaries and one unauthorized expense from 2007 budget.						
The original budget is used in this chart, as the revised budget was for Calendar Year 2007						

Source: ATA Budget Submissions

Appendix E
Highway Watch Budget Authorized and Spent

ATA Budget Spent

	Total Authorized		Total Spent
A. Participant Identification and Recruitment	(to 12/31/2007)		(to 3/31/2008)
Staff	1,671,436	Staff	1,125,707
State Trucking Associations	12,595,000	State Trucking Associations	9,451,044
State Trucking Associations & School Bus Associations	3,292,705	School Bus Associations	148,942
Consultants	1,645,500	Consultants	565,257
Travel	1,154,500	Travel	72,388
Public Relations	2,354,000	Public Relations	3,306,050
Internet Website and Database	1,080,000	Internet Website and Database	0
Supplies and Equipment	1,899,611	Supplies and Equipment	289,759
Total Participant Identification And Recruitment	25,692,752		14,959,146
B. Training			
Staff	432,341	Staff	972,408
Mississippi State University	7,447,987	Mississippi State University	1,749,862
TSSI - Operation & Management	1,760,000	TSSI - Operation & Management	2,156,034
State Trucking Associations	0	State Trucking Associations	5,089,024
State Trucking Associations & School Bus Associations	0	School Bus Associations	80,200
Reproduction - JJ Keller	2,405,095	Reproduction - JJ Keller	3,314,845
Other	67,650	Other	509,711
Total Training	12,113,073		13,872,083
C. Communications / Call Center			
Staff	1,125,159	Staff	733,622
Web-based infrastructure	1,257,695	Web-based infrastructure	2,788,313
Call Center	9,151,436	Call Center	9,964,507
Miscellaneous Total	110,272	Miscellaneous Total	555,339
Mississippi State University	0	Mississippi State University	83,123
Total Communications / Call Center	11,644,562		14,124,904
D. Information Analysis and Distribution			
Staff	943,841	Staff	935,894
Mississippi State University	1,794,900	Mississippi State University	83,123
Consultants / Contracts / Subscriptions	56,004	Consultants / Contracts / Subscriptions	492,211
ISAC Other Total	71,522	ISAC Other Total	382,483
Total Information Analysis and Distribution	2,866,267		1,893,710
E. Salary Fringe Benefits			
Salary Fringe Benefits	1,587,945	Salary Fringe Benefits	1,450,722
F. Salary Overhead			
Salary Overhead	983,502	Salary Overhead	1,788,439
G. General and Administrative (G&A)			
G& A	7,560,222	G& A	10,940,523
Grand Total Authorized	62,448,323	Grand Total Spent	59,029,527

Source: ATA Expenditures

Appendix F

Highway Watch Participation By State

Area	Resident Population (April 1, 2000)	HWW Members Enrolled	% HWW Members By Population (Per Thousand)	Enrollments Reimbursed to State Agency	Out of State HWW Members Enrolled	State Incidents Reported	% Incidents Reported By Members (Per Thousand)	State Of Origin Of Member Reporting	% Incidents Reported By State of Origin (Per Thousand)
Alabama	4,447,100	23,843	5.36	18,153	2,548	210	8.81	207	8.68
Alaska	626,932	2,279	3.64	2,267	39	72	31.59	22	9.65
Arizona	5,130,632	8,511	1.66	36,418	30,170	193	22.68	100	11.75
Arkansas	2,673,400	9,774	3.66	23,106	16,771	258	26.40	215	22.00
California	33,871,648	32,251	0.95	14,912	922	643	19.94	312	9.67
Colorado	4,301,261	10,103	2.35	7,161	759	118	11.68	85	8.41
Connecticut	3,405,565	7,564	2.22	5,276	313	83	10.97	51	6.74
Delaware	783,600	1,417	1.81	429	59	21	14.82	15	10.59
DC	572,059	434	0.76	38	22	13	29.95	13	29.95
Florida	15,982,378	25,706	1.61	1,156	209	260	10.11	255	9.92
Georgia	8,186,453	215,253	26.29	168,045	6,570	723	3.36	645	3.00
Hawaii	1,211,537	2,635	2.17	2,619	56	3	1.14	2	0.76
Idaho	1,293,953	7,040	5.44	5,991	370	76	10.80	82	11.65
Illinois	12,419,293	24,908	2.01	1,249	5,475	450	18.07	260	10.44
Indiana	6,080,485	13,702	2.25	13,465	6,858	354	25.84	240	17.52
Iowa	2,926,324	16,530	5.65	25,303	15,927	197	11.92	218	13.19
Kansas	2,688,418	11,376	4.23	8,341	1,031	139	12.22	108	9.49
Kentucky	4,041,769	14,606	3.61	10,380	1,440	249	17.05	160	10.95
Louisiana	4,468,976	9,122	2.04	6,391	1,667	146	16.01	135	14.80
Maine	1,274,923	970	0.76	442	34	16	16.49	23	23.71
Maryland	5,296,486	14,214	2.68	11,081	1,015	166	11.68	170	11.96
Massachusetts	6,349,097	11,687	1.84	9,660	1,426	95	8.13	51	4.36
Michigan	9,938,444	23,769	2.39	13,892	737	203	8.54	163	6.86
Minnesota	4,919,479	7,678	1.56	10,239	5,965	165	21.49	157	20.45
Mississippi	2,844,658	16,767	5.89	13,308	1,353	167	9.96	159	9.48
Missouri	5,595,211	16,700	2.98	12,151	4,404	363	21.74	285	17.07
Montana	902,195	1,688	1.87	2,230	418	38	22.51	36	21.33
Nebraska	1,711,263	7,005	4.09	19,611	13,658	114	16.27	132	18.84
Nevada	1,998,257	3,823	1.91	1,353	385	87	22.76	29	7.59
New Hampshire	1,235,786	1,528	1.24	309	55	18	11.78	14	9.16
New Jersey	8,414,350	10,064	1.20	11,498	5,343	212	21.07	92	9.14
New Mexico	1,819,046	3,173	1.74	2,360	936	110	34.67	27	8.51
New York	18,976,457	16,980	0.89	7,368	1,153	323	19.02	224	13.19
North Carolina	8,049,313	16,759	2.08	9,188	5,347	178	10.62	131	7.82
North Dakota	642,200	5,302	8.26	5,530	561	27	5.09	19	3.58
Ohio	11,353,140	41,652	3.67	16,772	1,662	487	11.69	384	9.22
Oklahoma	3,450,654	12,355	3.58	10,819	3,821	206	16.67	155	12.55
Oregon	3,421,399	4,727	1.38	2,523	483	95	20.10	67	14.17
Pennsylvania	12,281,054	30,902	2.52	22,358	4,098	441	14.27	265	8.58
Rhode Island	1,048,319	2,315	2.21	2,102	422	12	5.18	15	6.48
South Carolina	4,012,012	12,136	3.02	10,441	5,954	144	11.87	113	9.31
South Dakota	754,844	6,280	8.32	5,194	508	35	5.57	46	7.32
Tennessee	5,689,283	22,592	3.97	34,308	21,559	379	16.78	270	11.95
Texas	20,851,820	45,079	2.16	34,005	6,007	703	15.59	464	10.29
Utah	2,233,169	6,067	2.72	5,336	2,372	97	15.99	78	12.86
Vermont	608,827	732	1.20	253	15	5	6.83	6	8.20
Virginia	7,078,515	15,004	2.12	14,088	4,887	267	17.80	173	11.53
Washington	5,894,121	5,811	0.99	2,532	307	368	63.33	351	60.40
West Virginia	1,808,344	5,048	2.79	2,122	162	67	13.27	44	8.72
Wisconsin	5,363,675	15,288	2.85	31,949	20,588	399	26.10	471	30.81
Wyoming	493,782	1,813	3.67	1,129	553	75	41.37	16	8.83
Total	281,421,906	822,962	2.92	676,851	207,394	10,270	12.48	7,755	12.48
Lowest in 50 states				Highest in 50 states					

Source: United States Census Bureau (Column 1); Highway Watch Database

Appendix G
Post-Training Decline in Participation

Post-Training Participation at 6 / 12 / 18 Months

		Incident Reports Made Within:		
		6 months	12 months	18 months
Calls By Date Enrolled				
Date Enrolled	Number Enrolled			
2004-2005	2124	40%	64%	78%
2006	3035	47%	76%	95%
2007-2008	3109	78%	n/a	n/a
2004-2008	8268	46%	70%	85%
Calls By Frequency				
Callers Making Multiple Calls	1047	39%	64%	79%
Callers Making One Call	4392	51%	75%	89%
Total Members Who Called	5439	46%	70%	85%

Source: Highway Watch Database

Appendix H

Major Contributors

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Lorraine Eide, Senior Inspector

Jonathan Davis-Olo, Inspector

Melissa Keaster, Inspector

Kirsten Murray, Inspector

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Deputy Secretary
Chief of Staff
Deputy Chief of Staff
General Counsel
Executive Secretary
Director, GAO/OIG Liaison Office
Assistant Secretary for Office of Policy
Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs
FEMA Audit Liaison
TSA Audit Liaison

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DHS OIG Budget Examiner

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